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*Division of Ratepayer Advocates
California Public Utilities Commission*

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January 11, 2006

Mr. Sean Gallagher, Director - Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Protest to Pacific Gas & Electric Company Advice Letter Number 2692-G

Dear Mr. Gallagher:

On December 22, 2005, Pacific Gas & Electric Company (PG&E) submitted Advice Letter (AL) No. 2692-G, incorporating changes to PG&E's core end-use customer gas rates effective January 1, 2006. PG&E is submitting changes to core procurement rates, core transportation rates, and and core gas Public Purpose Program (PPP) surcharges.

ORA protests one of the core procurement rate adjustments, the amortization over two months of an expected \$67.1 million undercollection in the Sales Subaccount of the purchased gas account (PGA). PG&E's undercollection amortization methodology results in an increase to the January core procurement rate of \$.089262 per therm. While PG&E may be not be precluded from implementing a two month amortization, it is simply not good policy to increase core customer winter bills during two peak winter months, when it can easily be avoided. Given PG&E's previously expressed concerns over winter bills and its emergency proposals¹ to protect customers from high winter bills, it is inconsistent and irrational for PG&E to amortize a significant PGA undercollection over two peak winter months. Rather than unnecessarily increasing core rates in January and February, PG&E could have more prudently suggested amortizing the undercollection over a longer period or a non-winter period.

In D.05-10-015, which authorized PG&E's Emergency Hedge Plan, the Commission stated:

"Today's decision is an example of the Commission's desire to take whatever reasonable steps are needed to provide the utilities with the necessary tools they need to protect ratepayers from the potential for even higher bills." (p.3)

¹ In its efforts to protect against high winter gas bills in 2005/2006, PG&E requested approval for an Emergency Hedge Plan (Petition to Modify Decision 04-01-047 dated September 13, 2005), as well as, a 10/20 Winter Gas Savings Program and Winter Revenue Deferral Program (PG&E AL 2675-G dated November 3, 2002).

PG&E should have considered an alternate, reasonable amortization methodology as a logical and simple step toward protecting core customers from higher prices in the winter. ORA recommends that the Commission deny PG&E's amortization methodology of the undercollection as proposed in the AL and instead, direct PG&E to amortize the undercollection over a longer period, such as six months. Alternatively, the Commission can consider deferring the amortization adjustment until after this winter, when customer usage will be lower.

If you need information regarding this letter, please contact Jacki Greig at (415) 703-1079 or e-mail jnm@cpuc.ca.gov.

Sincerely,

R. Mark Pocta
Program Manager
Office of Ratepayer Advocates

cc: Richard Myers, Energy Division
Jerry Royer, Energy Division
Brian Cherry, Pacific Gas & Electric Company